

2007 BCSECCOM 54

Settlement Agreement

**John DeVries, Ernest Reed Grafke,
Ralph Bromley and Wesley Campbell**

Securities Act, RSBC 1996, c. 418

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and each of John DeVries (DeVries), Ernest Reed Grafke (Grafke), Ralph Bromley (Bromley) and Wesley Campbell (Campbell) agree as follows:

Agreed Statement of Facts

1. Amber Enterprises (Amber) was incorporated in the Bahamas. It has never filed a prospectus under the *Securities Act, RSBC 1996, c. 418* (the Act).
2. The Respondent John DeVries (DeVries) was the President, Secretary and sole shareholder of Amber. DeVries is a resident of the Turks and Caicos.
3. The Respondent Ernest Reed Grafke (Grafke) is a resident of Texas and a pastor.
4. Ralph Bromley (Bromley) is a resident of Kelowna, British Columbia. He is the President of Hope for the Nations (HFTN) and was a pastor at New Life Church (NLC).
5. Wesley Campbell (Campbell) is a resident of Kelowna, British Columbia. He was a director of HFTN and a co-founder and pastor of NLC.
6. NLC is located in Kelowna, British Columbia. HFTN is a registered charitable organization whose staff includes members of NLC. The members of these organizations share certain common religious beliefs within the Christian evangelical community.
7. None of the Respondents has ever been registered under the Act.
8. Gregory Setser (Setser), a former pastor, was the President and guiding mind of IPIC Investments (IPIC), a company operating from Ontario, California.
9. Beginning in 1999, Setser represented to persons, mainly in the evangelical community, that IPIC operated an import-export business and could provide large returns to its investors by buying consumer goods in bulk overseas and

2007 BCSECCOM 54

reselling those goods to large retailers in the United States through a confidential network of distributors.

10. Grafke introduced DeVries to Setser and IPIC in May 2002. DeVries established Amber as a means by which persons, mainly in the evangelical community, including NLC members, could invest in IPIC, make a profit and donate part of any profits from their investments to charity.
11. John DeVries was the guiding mind behind Amber.
12. Grafke's management responsibilities included overseeing the production and dissemination of information materials to potential investors in Amber.
13. Several of the investors in Amber were members of NLC, affiliated churches or regular contributors to HFTN. Campbell and Bromley were both pastors of NLC when they solicited investments in Amber.
14. Between May of 2002 and August of 2003, through Amber, DeVries and Grafke obtained \$5,845,096 from British Columbian investors, most of whom were Christian evangelicals and some of whom were members of NLC. DeVries and Grafke told investors that the funds would be used for investment in IPIC (the Amber Securities).
15. On behalf of investors, Amber gave approximately \$1.5 million of profits returned from IPIC directly to charitable organizations.
16. In 2003, the United States Securities and Exchange Commission (SEC) and other law enforcement officials investigated Setser and IPIC. On November 18, 2003, the SEC raided IPIC's offices. Setser, members of his family and all other participants in the alleged business of IPIC were arrested. Charges of fraud and operating a "Ponzi" scheme were laid against Setser and others. IPIC immediately collapsed and a receiver was appointed over its assets (the Receiver).
17. The Receiver was directed to manage the business affairs of IPIC. The Receiver subsequently reported that IPIC was not a legitimate import-export business and was indeed a Ponzi scheme and that Setser and his family had spent vast quantities of IPIC investors' money, including Amber investors' money, on luxury items for personal use.
18. In May of 2006, Setser and others involved in IPIC were convicted of various fraud charges in the United States District Court in Texas. Setser and IPIC

2007 BCSECCOM 54

caused losses, mainly in the evangelical community, of approximately US\$160 million.

19. British Columbia investors in Amber (the Investors) lost approximately \$1.3 million.

Misconduct

Trading and Distribution of Securities

20. Grafke, DeVries, Bromley and Campbell, through their activities with Amber, directly and/or indirectly solicited, facilitated or negotiated the investments in the Amber Securities without being registered and without having filed a prospectus contrary to sections 34(1) and 61 of the Act.
21. IPIC, through Amber, was able to expand the Ponzi scheme into the British Columbian evangelical community, causing significant losses to the Investors.

Mitigating Factors

22. DeVries and the Receiver jointly established a trust overseen by the District Court in Dallas, Texas to compensate all eligible Amber investors. DeVries contributed US\$430,000 to the trust.
23. DeVries and Grafke will consent to an order by the Supreme Court of British Columbia (the Consent Order) that will enable the Civil Forfeiture Office (CFO) to provide restitution to Investors.

Other Factors

24. DeVries and members of his family invested heavily in IPIC through Amber and lost CAD\$1.1 million when IPIC collapsed.
25. DeVries, members of his family and other persons involved in Amber management have chosen not to file proofs of claim seeking reimbursement from the Receiver.

Undertakings

26. For the purposes of restitution and in respect of settlement of this matter, DeVries and Grafke will jointly pay \$500,000 to the Executive Director, or to such other person as directed by the Executive Director, which sum is due and payable immediately without further demand.
27. Bromley will pay \$9,000 to the Commission in respect of settlement of this matter, which sum is due and payable immediately without further demand.

2007 BCSECCOM 54

28. Upon issuance of the Consent Order and receipt of monies from DeVries and Grafke, the Executive Director will forward the monies to the CFO to fulfill the terms of the Consent Order and to enable the CFO to make restitution to Investors.

Order

¶ 2 The Executive Director will issue an order (the Order) providing that:

1. under section 161(1)(a) of the Act, DeVries, Grafke, Bromley and Campbell comply with the Act, *Securities Rules* and any applicable regulations;
2. under section 161(1)(d)(i), (ii) and (iii) and 161(1)(b) of the Act, DeVries, Grafke, Bromley and Campbell resign any position they each may hold, and each of them are prohibited from becoming or acting as, a director or officer of any issuer, will not engage in any investor relations activities and will cease trading in securities for the following periods of time which reflect the extent of the distributions and the losses suffered by the Investors, as follows:
 - (a) DeVries: 17 years from the date of the Order;
 - (b) Grafke: 15 years from the date of the Order;
 - (c) Bromley: 5 years from the date of the Order, except that he may continue to act as a director or officer of the following privately held companies: Philip McCartridge Ltd. and Freedom Water Co.; and
 - (d) Campbell: 2 years, except that he may continue to act as a director or officer of the following privately held companies: ARMME Resources Inc. and Revival Now Management Inc.

Consent to Reciprocal Orders

3. Any securities regulator in Canada may rely on the facts admitted in this agreement solely for the purpose of making an order similar to the one contemplated above.

Waiver

¶ 3 DeVries, Grafke, Bromley and Campbell waive any right they may each have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement, other than as agreed upon by the parties.

Counterpart

¶ 4 This Settlement Agreement may be executed in counterpart or by facsimile

2007 BCSECCOM 54

execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

¶ 5 January 25, 2007

John DeVries _____)

¶ 6 John DeVries

Carey Veinotte _____)

Witness Signature)

Carey Veinotte _____)

Witness Name (please print))

Suite 300 – 1168 _____)

_____)

Hamilton St. Van _____)

(Address))

Barrister _____)

Occupation)

¶ 7 January *, 2007

Ernest R. Grafke _____)

¶ 8 Ernest Reed Grafke

Monette Grafke _____)

Witness Signature)

Monette Grafke _____)

Witness Name (please print))

10124 Saint James _____)

_____)

Keller, Tx 76248 _____)

Address)

_____)

Occupation)

2007 BCSECCOM 54

¶ 9 January , 2007

Ralph Bromley

¶ 10 Ralph Bromley

Jim Yu)

Witness Signature)

Jim Yu)

Witness Name (please print))

309-1910 Pandosy St.)

)

Kelowna B.C. V1Y 1R6)

Address)

Accountant)

Occupation)

¶ 11 January 25, 2007

Wesley Campbell

¶ 12 Wesley Campbell

Jesse Allan)

Witness Signature)

Jesse Allan)

Witness Name (please print))

1369A Sylvania Crescent)

)

Kelowna, BC)

Address)

IT (Information Tech))

Occupation)

¶ 13 January 29, 2007

Brenda Leong

¶ 14 Brenda M. Leong
Executive Director